Est ↑ 1983 = £66.1

Col Feb - 14% Feb 82
11 mo -3.2%
move avg. 12 mo -3.1%

To : Hamish Maxwell

cc. TG, WTM, GEK, JRH,
LR, CW, MJ, F.H. Dulles,
(PM EEC);
R.W.Murray, T.M.Kearns,
L.Pollak, R.L.Snyder,
K.Haley (PMI)

FLASH FOR WEEK ENDING APRIL 15, 1983

I. LEGAL

1. General

On 12 April 1983 PM (by HM) and Rembrandt (by J. du Plessis) entered into the new Agreement in the form submitted to the Commission on 21 January.

2. E.E.C.

a) The new Agreement has been notified to the Commission on 15 April, on a form A/B submitted by Rembrandt and PM.

b) On Tuesday, 29 March, our lawyers Holley, Siragusa and Walbroeck, along with Rembrandt's lawyer M. Nicholson, met with J. Ferry and C. Overbury of DG IV/B. They said that the draft new agreement submitted as a settlement proposal on 21 January 1983 would not suffice in meeting the Commission's objections to enable the Commission to settle.

c) Ferry and Overbury believe that PM, having a significant interest in RI, is bound to influence it. In addition, the present structure ensures effective partnership which will lead to unacceptable cooperation between the parties and cross influences that will affect market behavior. They confirmed that their comments reflected the views of Commissioner F. Andriessen. They suggested that a trusteeship arrangement could meet their objections.

d) HM wrote F. Andriessen on 11 April 1983 requesting a meeting to discuss the case during the week of 18 April or after 4 May.

e) Our case was reported to be on the agenda of the meeting of the Advisory Committee of the EC Member States on Restrictive Practices and Abuses of Dominant Position, made up of representatives of the EC Member States, to be held on Tuesday, 19 April. It was subsequently learned that the Advisory Committee meeting was postponed to April 28 with our case still on the agenda. To date, no documents have been circulated by DG IV to the members and, given the new Agreement, our case may not be discussed.

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Source: https://www.industrydocuments.ucsf.edu/docs/ppdk0000

f) PM's EEC counsel (Cleary, Gottlieb, Steen & Hamilton) submitted on 13 April revisions to the Minutes of the October Oral Hearing with respect to the speeches of PM witnesses.

g) It was announced that the Commission have written to IBM suggesting remedies to the outstanding objections to IBM's marketing policies. IBM are accused of an abuse of the company's dominant market position, contrary to Art. 86. Details of the remedies have not been made public.

3. Germany

a) As scheduled, the following papers were submitted to the Court on 15 April:

- Legal briefs prepared by Heidenhain, Axster and Hirsch supported by the following expert opinions :

  - Professor Dr. Rudolf Bernhardt, Heidelberg (international law)
  - Mr. E. Lauterpacht, Q.C., London (international law, especially UK)
  - Prof. I. Brownlie and Dr. M. Mendelson, Oxford (international law, especially UK)
  - Prof. Dr. Luzius Wildhaber, Basle (international law, Swiss view)
  - Prof. Dr. Wolfgang Fikentscher, Munich (German conflict of law)
  - Messrs. Arnold & Porter, Washington (jurisdiction, US view)
  - Prof. Dr. Hartmut Berg, Dortmund (economic questions)

b) Two further expert opinions prepared by Profs. Müller and Gutowski require further work and were not submitted. It is planned to continue to improve the opinions and submit them as soon as possible.

Political

c) We were informed that J. Campbell of RI and Mr. E. Lauterpacht were to meet with Sir Ian Sinclair of the U.K. Government to discuss our case.

d) Two professors at Stellenbosch University are writing a legal opinion, to be ready end of April, on the aspect of international law. The South African Government is apparently prepared to endorse this.

e) EH, Lee Pollak, David Horse and Marc Palay visited the State Department in Washington on April 12 and met with Mrs. Elizabeth Verville, D. Small, L. Greenwood and R. Kleinmann. It was advised that after a detailed legal study, the State Department concluded it cannot intervene in the jurisdiction issue of the German case. However, the Department is very interested in the case, would like to be kept informed, and would consider intervention at the time when remedies are discussed.

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Source: https://www.industrydocuments.ucsf.edu/docs/ppdk0000

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3. St. Moritz Filter - Holland.

Following the introduction of St. Moritz with the special filter, these cigarettes have been tested by us. Gerrit de Bruin has written to Turmac advising that our test showed that the real tar level was in excess of the 1 mg claimed. Turmac have advised that the higher tar level was possibly due to a production fault and they have confirmed that Turmac have already taken the necessary steps to correct the tar problem and future production will present the correct results.

4. Visits

a) Visit by G. Karandjoulis and J. Krauss to Carrickfergus factory in Belfast has now been re-arranged for 19 - 20 May.

b) R.B. Seligman will be attending a meeting of the Scientific Commission of Coresta in Cape Town, South Africa. He has also been invited to visit the Stellenbosch laboratory of Rupert International Limited.

III. PLANNING

1. Greece

We have learned that Rothmans are considering arrangements for local production in Greece.

It appears that the present options under consideration are :

a) Make arrangements with Georgiades, a small manufacturer.
b) Make arrangements with SEKAP who is Brinkmann's distributor.
c) Build own facilities.

The most likely development is with Georgiades but the timing is not known.

2. Jordan

Further to the possible joint venture which RI are planning in Jordan (mentioned in Flash for week ending March 25), we have learned that the Jordanian partners are the following :

Marwan Elhmoud	-	Ex Minister
Omar El Nabulsi	-	Lawyer and ex Minister
Rajai Mouasher	-	Businessman and ex Minister
Mahmoud el Kayed	-	Journalist

Local opinion is that the joint venture will not be approved if the Government takes an interest in the Jordanian Tobacco and Cigarette Company.

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Source: https://www.industrydocuments.ucsf.edu/docs/ppdk0000

3. Nigeria

Maitland of CR will be in Lausanne on May 16 to pursue discussions with H. Schedel. It is expected that he will make proposals on any possible future cooperation between PMN and CR, following his visit to Nigeria in February.

4. South Africa

The next meeting between H. Schedel and Rembrandt management to discuss distribution arrangements for Marlboro will now take place on April 25 in Zürich. The major outstanding issue is still likely to be the duration of any contract, although other issues may be broached (minimum volume, margins, etc).

5. Germany

a) Lexington, which was launched in September 1982 at DM 3.80 in Hamburg test market, has been reduced in price to DM 3.50 but is still only sold in the Hamburg test market.

b) Brinkmann have brought out Peer in 25's pack selling at DM 4.- (equivalent to DM 3.20 for 20's).

6. Trademarks

A meeting has been arranged for April 30 in Zürich to discuss the following matters :

- U.S. License Agreement
- Dunhill
- Cartier
- Chesterfield - South Africa
- TEI.

It is expected that EH, WTM and FHD will meet with T. Roux, J. du Plessis, Van As and V. Brink.

IV. FINANCIAL

1. Brinkmann's purchase of Rowenta-Werke GmbH.

The agreement for Brinkmann to purchase 50% of Rowenta-Werke from Allegheny have not yet been completed. The only item outstanding to allow completion is the approval of the French Government. Rowenta-Werke has a small subsidiary in France. The FCO has already approved the transaction.

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2. Tabacofina

a) It has been announced in the press, April 6, 1983 that Tabacofina have purchased 13 1/2 % of the shares of Federal Realty Investment Trust, Washington D.C., for US$ 4.2 million. Further details are being sought.

b) Roux advised that Tabacofina have been approached to consider buying an interest (percentage not stated) in N.V. Spadel Belgium. Spadel is presently owned 52% by Mr.Dubois and 26% by Stella Artois, the largest brewer in Belgium. Spadel are involved in mineral water and soft drinks market in Belgium and Holland and we are presently studying the possible implications of such an investment.

3. The following information was supplied by T. Roux :

Unit Volume

a) February 1983 - 14% below February last year. Stated to be due to over-selling in the UK and Australia during January and also the situation in Germany.

b) 11 months year-to-date - 3.2% below last year

c) 12 months moving average - 3.1% below last year

Financial

d) Net profit for 10 months to January 1983 - £ 66.7 mio compared with a budget of £ 54.6 mio and of £ 36.7 mio for the same period last year.

e) Estimate for year ending March 1983 - £ 66.1 mio.

The profit for the 12 months, as seen above will be less than the profit for 10 months year-to-date due to the fact that opportunity will be taken to provide for exceptional costs such as redundancy in Germany.

4. Bond Conversion

There has been no further conversion of bonds into shares in RI due to a combination of weakening of the RI share price and a weakening of Pound Sterling against DM.

At present exchange rate, bond conversions will not be attractive until share price moves above 155p.

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Source: https://www.industrydocuments.ucsf.edu/docs/ppdk0000

5. RPM Australia

RPM Australia have purchased 14.9% in Allen's Confectionery Ltd, a large confectionery company in Australia with considerable distribution network. This purchase was in response to a take over bid for Allen's jointly made by Nelson's and Cadbury. RPM Australia is supporting Lifesavers who have now purchased 20% of Allen's with the objective to avoid Nelson's becoming bigger and more dominant in distribution in Australia.

V. GENERAL

1. Share Price of	April 1,83	April 8,83
Rothmans International (£)	105p	108p
RI convertible £/Bonds (DM)	3666	3676
Dunhill (£)	360p	365p
Carrolls (Irish £)	88p	88p
Tabacofina (BF)	2700	2695
Rothmans of Pall Mall Canada (Can.$)		
- Common	39-3/4	41-1/2
- Preferred B	n.a.*)	13-1/2
Carling O'Keefe (Can.$)		
- Common	13-1/2	12-7/8
- Preferred A	22-3/4	23
Rothmans of Pall Mall Australia (Aust.$)		
- Sydney	n.a.*)	6.00
Rothmans Industries, N.Z. (N.Z.$)	n.a.*)	1,76
Rothmans of Pall Mall Malaysia (Sing.$)	2.91	3.04
Rothmans Industries Ltd (Sing.$)	2.15	2.15

*) Due to the Easter weekend, these prices have not been received.

Regards.

E. Houdiner

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Source: https://www.industrydocuments.ucsf.edu/docs/ppdk0000